



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: August 10, 2010

TO: Bob Nelson, Chair, Citizens Revenue Review and Economic Competitiveness Commission

FROM: Julie Dubick, Director of Policy

SUBJECT: Request for Presentation

The Citizens Revenue Review and Economic Competitiveness Commission has requested presentations, 'to the extent available', on several subjects, including possible revenue sources from changing the governance of the landfill, airport or golf operations and information on storm water and business tax amnesty.

The Administration is available to make presentations on certain issues; however, these presentations will be limited as described below. After you have had an opportunity to review this memorandum, please contact me to make further arrangements.

First, as you may know, the city is already exploring the viability of getting out of the business of landfill operations. The Administration is currently conducting an RFQ seeking qualifications from private companies who could take over the business of the landfill operations. Until we have received and reviewed responses and had an opportunity to communicate with responders, any presentation would be highly speculative on your question of whether or not there would be increased net revenue to the City.

Second, the Administration does not have analyses on the airport or golf operations as related to your request about "contracting-out" these functions. The golf operations are an enterprise fund and funds held by golf operations cannot be used for General Fund purposes. This is true also for the airport operations. Not only are Brown and Montgomery under FAA regulations but those restrictions also limit revenues from airport operations to expenses that benefit the airport only. Thus, the city operates those airports as enterprise funds that cannot be used to benefit the General Fund. Obviously, Lindberg Airport is operated under the Regional Airport Authority.

Third, the Administration can provide a brief presentation on the history and status of storm water regulations, compliance and current status. The Administration does not have a

presentation on the cost of future compliance services or possible fee structure as these issues require independent studies.

Fourth, Councilmember DeMaio has recommended an amnesty on collection of past due business tax payments. According to the City Treasurer, if an amnesty program were implemented in FY2011, the General Fund would lose approximately \$656K in budgeted penalties and interest. This revenue far exceeds the revenue that would be realized from an amnesty program where non-compliant taxpayers voluntarily register for their back taxes.

The purpose of a typical tax amnesty program is to collect as many back taxes as possible in a set time frame. The benefit to the taxpayer is that penalties are waived during the amnesty period. In most cases, tax amnesty programs are implemented prior to rolling out a new compliance program so that taxpayers can voluntarily register with the taxing agency.

In FY 2007, the Office of the City Treasurer expanded compliance efforts by contracting with the FTB to obtain data on businesses not registered with the City's Business Tax Program. At that time, the City elected not to implement an amnesty program. Since the program's inception, approximately 21,000 non-compliant businesses have registered with the City resulting in over \$7.0M in compliance revenue, including late fees and penalties. If the purpose of an amnesty program is "to collect as many back taxes as possible" the City's ongoing FTB efforts have eliminated the need for an amnesty program as non-compliant tax revenue has already been realized.

Additionally, approximately \$2.0M of the \$7.0M in additional FTB compliance revenue collected since FY 2007 has gone towards the Small Business Enhancement Program, funding City-wide business assistance programs, storefront improvements, business outreach and marketing, and Business Improvement Programs. These programs are funded from the \$20 of the \$34 small Business Tax assessment.

I trust this information responds to your inquiry. I am available to answer any questions.